DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the matter of	)	
	)	
Multi-Association Group (MAG) Plan for	)	
Regulation of Interstate Services of Non-Price	)	CC Docket No. 00-256
Cap Incumbent Local Exchange Carriers and	)	
Interexchange Carriers	)	

COMMENTS OF PUERTO RICO TELEPHONE COMPANY, INC.

Joe D. Edge
Tina M. Pidgeon
DRINKER BIDDLE & REATH LLP
1500 K Street, N.W.
Suite 1100
Washington, D.C. 20005
(202) 842-8800
(202) 842-8465 FAX

Attorneys for
PUERTO RICO TELEPHONE COMPANY, INC.

February 14, 2002

SUMMARY

Puerto Rico Telephone Company, Inc. ("PRTC") urges the Commission to permit continued receipt of Long Term Support ("LTS"), or its equivalent, upon a rate-of-return carrier's exit from the NECA common line pool, whether for purposes of conversion to price cap regulation under the CALLS Plan or any incentive based regulatory plan that may result from this proceeding. Therefore, PRTC supports the repeal of Section 61.41 of the Commission's rules. By permitting carriers to retain LTS or its equivalent, the Commission need not disturb the Interstate Access Universal Service Support fund under the CALLS Plan, which does not provide for additional carrier participation. This result can be accomplished by eliminating the requirement that carriers be members of the carrier common line pool to receive the support. As a result, universal service efforts will be preserved.

In addition, the price cap "all-or-nothing" rule should be eliminated. With the adoption of the CALLS plan, designed largely as a "closed" system with no provision for the addition of participating carriers, there seems to be no room for conversion to price cap regulation under the rule. Moreover, the rule has been routinely waived rather than applied, suggesting that it does not serve an essential purpose. Current rate-of-return carriers tend to serve the higher cost areas and may not be able to achieve the steep cost reductions required to satisfy the target rates established in the CALLS Plan while still meeting universal service obligations and maintaining quality service. In addition, to the extent that the "all-or-nothing" rule was intended to eliminate any possibility for cost shifting between price cap and rate of return carriers in the same corporate family or inappropriate movement back and forth between regulatory regimes, other effective means exist to achieve these same goals. Eliminating the rule, therefore, precludes the

imposition of a regulatory regime not well suited to remaining rate of return carriers and does not present any measurable risk of abuse.

<u>TABLE OF CONTENTS</u>

SUMMARY i

I. CARRIERS SHOULD BE PERMITTED TO RETAIN LTS, REGARDLESS OF THE REGULATORY REGIME 1

II. THE PRICE CAP ALL-OR-NOTHING RULE SHOULD BE REPEALED 7

A. The Automatic Application of the All-or-Nothing Rule is Not Compatible with Price Cap Regulation Under the CALLS Plan 7

B. The "All-or-Nothing" Rule is Not Necessary to Prevent Cost Shifting Or "Gaming the System" 10

III. CONCLUSION 12

RECEIVED

FEB 14 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the matter of	)	
	)	
Multi-Association Group (MAG) Plan for	)	
Regulation of Interstate Services of Non-Price	)	CC Docket No. 00-256
Cap Incumbent Local Exchange Carriers and	)	
Interexchange Carriers	)	

COMMENTS OF PUERTO RICO TELEPHONE COMPANY, INC.

Puerto Rico Telephone Company, Inc. ("PRTC"), by its undersigned attorneys, hereby comments on the Further Notice of Proposed Rulemaking, released in the captioned proceeding on November 8, 2001.[1] As explained herein, PRTC urges the Commission to permit continued receipt of Long Term Support, or its equivalent, for carriers that exit the NECA pool or convert to price cap regulation and supports the elimination of the price cap "all-or-nothing" rule.

I. CARRIERS SHOULD BE PERMITTED TO RETAIN LTS, OR ITS EQUIVALENT, REGARDLESS OF THE REGULATORY REGIME

LTS payments "constitute a universal service support mechanism" that "serve the public interest by reducing the amount of loop cost that high cost LECs must recover from IXCs through CCL charges."[2] It remains the case, however, that upon exit from the NECA pool and/or conversion to price cap regulation, no mechanism currently exists for carriers to retain LTS, or its equivalent, absent a waiver of Section 54.303(a), which limits eligibility for LTS to

[1] Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001) (¶¶ 212-276 referred to herein as "MAG FNPRM").

[2] Federal-State Joint Board on Universal Service, First Report and Order, 12 FCC Rcd 8776, 9164 (¶ 756), 9165 (¶ 757) (1997).

carriers participating in the NECA Common Line pool.[3] As the Commission recognized in the FNPRM, under the existing regulations, a rate-of-return carrier, like PRTC, would lose LTS upon conversion to price cap regulation,[4] because LTS universal service support has no counterpart under CALLS.[5] This issue could be addressed, however, if the Commission adopts its proposal to decouple receipt of LTS, or its equivalent, from participation in the NECA common line pool and permits carriers that convert to price cap regulation, or any other alternative incentive regulation that may be adopted in this proceeding, to retain the support.[6]

Permitting carriers to retain LTS provides one way to address the potential entry of additional carriers into CALLS. In adopting the CALLS plan, the Commission approved a substantial reduction in price cap access charges and offset that reduction, in part, with a new universal service fund for interstate access that is capped at $650 million per year for five years.[7] The universal service fund established under CALLS replaces funds that will be eliminated through common line restructuring under CALLS. As price cap carriers increase their SLCs and

---

[3] 47 C.F.R. § 54.303(a).

[4] See MAG FNPRM, 16 FCC Rcd at 19724 (¶ 271) (finding that the distribution of interstate access universal service support under CALLS "is particularly significant for potential price cap companies like [PRTC] that could be a large recipient of the support"). See also "Common Carrier Bureau Releases Estimated State-By-State High-Cost Universal Service Support Amounts for Non-Rural Carriers for 2002," DA 01-2927, Public Notice, CC Docket No. 96-56 (Com. Car. Bur. rel. Dec. 18, 2001).

[5] MAG FNPRM, 16 FCC Rcd at 19724 (¶ 271).

[6] See id. at 19725 (¶ 274).

[7] See Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Sixth Report and Order, 15 FCC Rcd 12962, 13046-48 (¶¶ 201-205) (2000) ("CALLS Order"), aff'd in part, rev'd in part, remanded in part, Texas Office of Publ. Util. Counsel, et al. v. FCC, 265 F.3d 313 (5th Cir. 2001); see also "Common Carrier Bureau Seeks Comment on Remand of $650 Million Support Amount under Interstate Access Support Mechanism for Price Cap Carriers," CC Docket Nos. 96-262, 94-1, 99-249, and 96-45, Public Notice, DA 01-2817 (Com. Car. Bur. Dec. 4, 2001).

reduce their PICCs, the interstate access universal service fund provides support for a portion of any remaining common line revenue requirement. The $650 million annual fund, however, does not fully cover this difference for all participating carriers, and disbursements are pro rated among the price cap carriers.[8] Indeed, PRTC estimates that the total support requirement for currently participating carriers exceeds the capped amount by over 20 percent.[9]

The delicate balance between access rate reductions and increased universal service support amounts achieved by negotiating carriers under the CALLS Plan plainly does not anticipate any other carrier's conversion to price cap regulation, either voluntarily or involuntarily. As the Commission's rules demonstrate, no other carrier's universal service needs were considered when the $650 million IAUSS fund was established.[10] Any Commission intent to revisit the fund size in the future is expressly limited to (1) response to a cost study submission by a currently participating price cap carrier, (2) the development of competition, and (3) market-based pricing, and does not anticipate new carrier entry.[11] Moreover, the fund review is geared to the five-year CALLS Plan,[12] suggesting that an immediate increase in fund demand of the size presented by the addition of new carriers was not contemplated. Indeed, on the heels of adopting

---

[8] Id. at 13043-44 (¶ 196).

[9] See Attachment 1; 47 C.F.R. § 54.806(c)(1).

[10] See 47 C.F.R. § 54.801(a) ("The total amount of [interstate access] universal support . . . for areas served by price cap carriers as of June 30, 2000, is targeted to be $650 million per year").

[11] CALLS Order, 15 FCC Rcd at 13047 (¶ 203). In fact, the Coalition for Affordable Local and Long Distance Services recently defended the level of the $650 million capped amount for the initial five-year period under CALLS, which suggests that the plan proponents themselves do not anticipate any adjustment of the IAUSS to allow for the admission of new participants. See Comments of the Coalition for Affordable Local and Long Distance Services, CC Docket Nos. 94-1, 96-45, 99-249, 96-262 (filed Jan. 22, 2002).

[12] Id.

the CALLS proposal, the Commission determined that it "must give due consideration to the potential impact the CALLS proceeding may have on PRTC when PRTC converts to price cap regulation,"[13] and it further acknowledged that the CALLS Order "did not explicitly address how entry of new carriers into price caps affects distribution of interstate access universal service support."[14]

Thus, though the Commission determined that fixing the support amount at $650 million for five years ensured a "specific and predictable amount of explicit support,"[15] the same could not be said if that amount subsequently were redistributed among carriers to include support for PRTC or other new entrants. If PRTC — or any carrier — converted to price cap regulation, however, such a redistribution clearly would be warranted. As a result, the introduction of any other high cost rate of return carriers — and PRTC in particular, as the Commission noted in the FNPRM — into the existing group of CALLS carriers undoubtedly would cause a shift in receipts by current participants. Moreover, PRTC's additional demand on the fund would widen the existing gap between the SLC and the permitted CMT revenue that is left unrecovered by the IAUSS.

At the same time, however, even the estimated support amount to be issued to PRTC from the IAUSS would not replace PRTC's existing support amount. Under the Commission's formula for the distribution of IAUSS among study areas, PRTC estimates that it would receive approximately $63.5 million from the fund, over 37 percent less than PRTC's forecasted LTS for

---

13 Puerto Rico Tel. Co. Petition for Waiver of Section 61.41 or Section 54.303(a) of the Commission's Rules, Order, 15 FCC Rcd 9680, 9683 (¶ 5) (Com. Car. Bur. 2000).

14 June 2001 Extension Order, 16 FCC Rcd at 12346 (¶ 7).

15 CALLS Order, 15 FCC Rcd at 13046 (¶ 201).

2002.[16] As a result, PRTC's per minute common line rate could increase at the same time that the Commission has implemented policies under the CALLS and MAG Plans to eliminate the charge altogether. Such a result is inconsistent with the purpose of price cap regulation, that rates should decline from current rate of return levels so that consumers benefit from increased productivity induced by incentive regulation.[17]

Moreover, this signficant shortfall in universal service support cannot be resolved — or even reduced — simply by "moving" PRTC's current LTS support amount to the IAUSS for distribution.[18] Applying the methodology adopted in the CALLS Order, PRTC still would receive significantly less than its current LTS support amount if the IAUSS were simply increased to $740 million with the addition of PRTC's 2001 LTS support amount. Under this scenario, PRTC's estimated support from the IAUSS would be $63.5 million, the same as under the existing $650 million cap.[19] Thus, "adding" PRTC's current LTS support amount to the fund merely results in the distribution of that support amount to other participating carriers who themselves are currently receiving less from the IAUSS than their Study Area Above Cap Revenues. Simply adding the support amount to the current IAUSS capped amount for disbursement among all price cap carriers under the existing formula is not an effective solution.

---

[16] See Attachment 1, estimating IAUSS support for each of PRTC's two study areas.

[17] See Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, Second Report and Order, 5 FCC Rcd 6786, 6789-91 (¶¶ 21-37) ("Price Cap Order") (case history omitted).

[18] See MAG FNPRM, 16 FCC Rcd at 19724 (¶ 271) (asking whether "the previous support amount [should] be added to the total interstate access universal service support available under the Interstate Access Support Order and then divided among all price cap carriers pursuant to the formal established in that order").

[19] See Attachment 2, estimating IAUSS support for each of PRTC's two study areas assuming a $740 million cap.

Against this background, the Commission should permit carriers to retain LTS, or its equivalent, upon exit from the NECA pool or conversion to price cap regulation. First, the Commission has tentatively concluded to merge LTS with the Interstate Common Line Support ("ICLS") adopted under MAG, as of July 1, 2003.[20] In doing so, carriers will no longer be required to be members of the common line pool to receive support, thereby eliminating the existing regulatory barrier for a converted carrier to retain this support. Second, by permitting carriers to retain LTS or its equivalent, the Commission need not disturb the IAUSS. The current $650 million amount was the result of a negotiated agreement among price cap LECs and IXCs. The CALLS Order presumably would have to be reopened to consider the complex issues raised by rebalancing or reassessing the interstate access universal service fund to accommodate entry by PRTC or any other rate of return carrier. Finally, this approach would help preserve universal service efforts for carriers converting to price cap regulation under CALLS. For these reasons, the Commission should permit rate of return carriers that exit the NECA pool or convert to price cap regulation — either voluntarily or involuntarily — to retain the LTS component of universal service. However, as discussed in Part II, permitting carriers to retain LTS support or its equivalent does not necessarily mean that CALLS is an appropriate regulatory scheme for every carrier. To the contrary, the low target rates under CALLS, the steep reductions necessary to reach those targets, the high cost and diverse characteristics of company service areas all suggest that price cap regulation under CALLS would not be a workable regulatory regime for many carriers.

---

[20] Id. (¶ 272).

II. THE ALL-OR-NOTHING RULE SHOULD BE REPEALED

The "all-or-nothing" rule does not permit sufficient flexibility in implementing the most appropriate regulatory structure for carriers when they acquire or are acquired by another carrier operating under a different regulatory structure, and it should be repealed. With the adoption of the CALLS Plan, designed largely as a "closed" system with no provision for the addition of participating carriers, there seems to be little room for mandatory conversion to price cap regulation under the rule. Moreover, the rule is routinely waived rather than applied, suggesting that it does not serve an essential purpose. In addition, to the extent that the "all-or-nothing" rule was intended to eliminate any possibility for cost shifting between price cap and rate of return carriers in the same corporate family or inappropriate movement back and forth between the regulatory regimes, other effective means exist to achieve these same goals.

A. The Automatic Application of the All-Or-Nothing Rule is Not Compatible with Price Cap Regulation Under the CALLS Plan

The Commission has required the largest carriers to operate under price cap regulation since 1991.[21] At the same time, the Commission recognized the need to avoid forcing smaller companies into a regulatory regime designed to produce efficiency incentives and associated public interest benefits for the largest LECs.[22] With the adoption of the CALLS Plan for price cap carriers and the MAG Plan for rate-of-return carriers, elimination of the all-or-nothing rule is appropriate so that affiliate companies may select regulatory options that would enable them to

---

[21] 47 C.F.R. § 61.41(a)(3).

[22] Price Cap Order, 5 FCC Rcd at 6818 (¶¶ 263).

operate more efficiently."[23] Indeed, should another incentive regulatory plan be developed as part of this proceeding, this option must also be available for selection by affiliate companies.

Price cap regulation under the CALLS Plan may be even less suited to smaller rate of return carriers than the price cap regime it replaced. CALLS was designed as a mandatory plan for a defined group of existing price cap carriers. The target rate levels established under CALLS simply are not suitable for many carriers that still provide service subject to rate of return regulation. For example, the CALLS plan anticipates that participating carriers will charge very low or no per minute common line rates because SLC increases since the plan's inception and over the course of five years will eventually recover — if not exceed — the common line revenue requirement of the participating carriers. Rate of return carriers, however, tend to serve study areas having significantly higher common line revenue requirements that will not be recovered solely through the SLC, even at the levels set in the MAG order. The steep cost reductions required to satisfy target rates under the CALLS Plan may not be achieved while still meeting universal service obligations and maintaining quality service in these higher cost areas.

For NECA pooling carriers (particularly net recipients from the pool), the problems with mandatory conversion to price cap regulation may be even more pronounced. These carriers would be required to establish per minute common line rates under price cap regulation, while at the same time, losing LTS when they leave the pool. This loss of support will result in rate increases under price cap regulation, as opposed to the decreases that are one goal of price cap regulation.

At the same time, a new price cap carrier would still be required to reduce rates annually according to the price offset, applied to the traffic sensitive composite rate and, for any carrier

[23] MAG FNPRM, 16 FCC Rcd at 19721 (¶ 267).

subject to the 0.95 cent composite target rate, to the common line rate as well.[24] The application of this uniform reduction, however, is not suitable for many study areas served by rate of return carriers, which can be distinguished from the large scale operations of most price cap carriers. As the Commission previously determined, application of a single productivity factor may not be appropriate for diverse geographic areas with different market conditions.[25] Indeed, when this factor is applied to a carrier with high costs, the cost reductions necessary to keep pace with the factor on an annual basis would be quite steep. Reductions of this magnitude simply may not be consistent with the carrier's ability to provide quality service over vast areas or areas with challenging terrain or other factors that impact the provision of service. This is certainly the case for PRTC, which not only provides service in diverse areas, including extremely mountainous terrains, but is faced with extending service in these and other areas of the island in an effort to bring the 74.3 percent subscribership levels closer to the national average, which exceeds 95 percent of all households.[26] The CALLS Plan, designed for existing price cap carriers, simply does not have any mechanism for addressing these cost reduction issues that are raised when a high cost carrier involuntarily becomes a price cap carrier by operation of the "all-or-nothing" rule.

---

[24] See 47 C.F.R. § 61.45(b)(1)(iii)(A) & (B).

[25] ALLTEL Corporation; Petition for Waiver of Section 61.41 of the Commission's Rules and Applications for Transfer of Control, Memorandum Opinion and Order, 14 FCC Rcd 14191, 14201 (¶ 25) (1999) ("ALLTEL Order").

[26] Telephone Subscribership in the United States, Table 1 at 6 (rel. Feb. 2002)

B. The "All-or-Nothing" Rule Is Not Necessary to Prevent Cost Shifting or "Gaming the System"

The Commission consistently has granted waivers of the all-or-nothing rule because it determined that neither the threat of cost-shifting nor "gaming the system" was present.[27] Over time, it has become clear that the "all-or-nothing" rule is not necessary to address any remaining concerns about cost shifting and "gaming the system.

The Commission has suggested that cost shifting can occur when commonly-owned carriers operate under different regulatory regimes. A successful shifting of costs would allow the non-price cap affiliate to charge higher rates to recover its increased revenue requirement and at the same time allow the price cap affiliate to reduce costs and increase its earnings.[28] The Commission's accounting and cost allocation rules, affiliate transaction rules, jurisdictional separations rules, and reporting requirements provide sufficient safeguards against the potential for cost-shifting. ILECs are required to record revenues and expenses according to the Uniform System of Accounts under Part 32 of the Commission's Rules and report these account balances by the total amounts and amounts classified as "nonregulated" (Part 64). These carriers record all adjustments and then report the regulated amount that will be subject to separations, and this "subject to separations" amount is in turn reported consistent with Part 36 as intrastate and interstate amounts, accordingly. These account balances and calculations are reported annually

---

[27] See, e.g., U S West Communications, Inc. et al., Petitions for Waiver of Sections 61.41(c) and 69.3(e)(11) of the Commission's Rules, Memorandum Opinion and Order, 9 FCC Rcd 202, 206 (1993); Gila River Telecommunications, Inc., Petition for Declaration of Inapplicability or, Alternatively, for Waiver, of Section 61.41(c) and Section 69.3(e)(11) of the Commission's Rules, Memorandum Opinion and Order, 7 FCC Rcd 2161, 2163-64 (1992).

[28] Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, Second Report and Order, Order on Reconsideration, 6 FCC Rcd 2637, 2706 (¶ 148) (1991) ("Price Cap Reconsideration Order") (case history omitted).

on ARMIS 43-01 and 43-04, which provide both the Commission and interested parties a mechanism for tracking changes in investments and expenses.

The tariff filing process presents yet another existing mechanism whereby shifting costs may be easily detected and thus deterred. When rate of return carriers submit annual access tariff filings, they include cost support and the Tariff Review Plan. These filings provide parties with an opportunity to review the carrier's costs and challenge the lawfulness of the proposed rates. A comparison of year-to-year tariff filings will also reveal any substantial deviation, and annual Monitoring Reports (FCC Form 492) will indicate if costs have increased beyond projections under the tariff. Therefore, these on-going safeguards protect against any potential cost-shifting.[29]

Sections 61.41(c)(1) and (d) prohibit a carrier from switching back to rate of return status after being subject to or electing price cap regulation and "game the system." According to the Commission, a carrier could "fatten-up" under rate of return regulation, raising rates to support these costs, and then "slim-down" under price cap regulation, cutting costs to increase profits with increased efficiencies.[30] This concern is addressed, however, because carriers are permitted only a one time election to convert from rate-of-return to price cap without prior Commission approval. Thus, a carrier's independent election to convert to price cap regulation — whether or

---

[29] In PRTC's own circumstance, the structural separation between it and Verizon local exchange carriers provide further safeguards against any potential for cost-shifting. PRTC maintains separate books of account and is operated independently of the Verizon price cap regulated, domestic local exchange carrier subsidiaries. The PRTC network has been and continues to be operated and maintained separately from the Verizon price cap regulated, domestic operations. In addition, the rapid development of competition in Puerto Rico moots any incentive to increase costs and rates for PRTC.

[30] Price Cap Reconsideration Order, 6 FCC Rcd at 2706 (¶ 148); see also ALLTEL Order, 14 FCC Rcd at 14199 (¶ 18).

not in connection with a merger — should be preserved with the limitation that any conversion back to rate-of-return regulation is permitted only with prior Commission approval.

III. CONCLUSION

For these reasons, the Commission should revise its rules to permit carriers to continue to receive Long Term Support, or its equivalent, without requiring participation in the NECA pool or a specific form of interstate regulation. This approach will fill the gap in the CALLS Plan for carriers that subsequently convert to price cap regulation, without the need to reopen the CALLS Plan itself. In addition, the "all-or-nothing" rule should be repealed, because mandatory conversion to price cap regulation will not provide for regulation suited to a carrier's operating conditions and is not necessary to avoid cost shifting and gaming the system.

Respectfully submitted,

Joe D. Edge
Tina M. Pidgeon
DRINKER BIDDLE & REATH LLP
1500 K Street, N.W.
Suite 1100
Washington, D.C. 20005
(202) 842-8800
(202) 842-8465 FAX

Attorneys for
PUERTO RICO TELEPHONE COMPANY, INC.

Dated: February 14, 2002

ATTACHMENT 1

		PRSA		
			Distribution of the $650 Million Among States	
		Description	**Amount**	***Source***
	1	Industry Access USF Cap	$650,000,000	*Capped, Given*
	2	Nationwide Total Above Cap Revenues	$834,000,000	*the sum of all states maximum USF; NECA*
	3	Adjustment Factor	77.94%	*Ln 1 / Ln 2*
	4	Study Area Above Cap Revenues	$53,074,192	*Calculated*
	5	Prelim. Study Area Universal Service Support (PSAUSS)	$41,364,778	*Ln 3 * Ln 4; to maintain a cap of $650m; Step 9*
	6	Prelim. Minimum Access USF (study area)	$53,023,130	*Calculated*
	7	Minimum Adjustment Amount (MAA)	$11,658,352	*A share of the $75 million (100% of $75 million third year)*
	8	Minimum Support Requirement (MSR)	$53,023,130	*if Ln 7 >0, Ln 7 + Ln 5*
	9	Total National MSR	N/A	*Total support for States that qualify for $75 million; States with Ln 7>0*
	10	Total PSAUSS of States that do not qualify For MAA	N/A	*Sum of States PSAUSS with zero MAA; States with Ln 7=0*
	11	Support For Study Areas with no MAA	N/A	*Ln 1 - Ln 9*
	12	Second Adjustment Factor	N/A	*Ln 11 / Ln 10; Step 11*
	13	Study Area Access USF Support (SAAUS)	$53,023,130	*Ln 8 if Ln 8>0, otherwise Ln 12 * Ln 5; Step 11*

	Description	Amount	Source
	PRCC		
		Distribution of the $650 Million Among States	
	Description	**Amount**	***Source***
1	Industry Access USF Cap	$650,000,000	*Capped, Given*
2	Nationwide Total Above Cap Revenues	$834,000,000	*the sum of all states maximum USF; NECA*
3	Adjustment Factor	77.94%	*Ln 1 / Ln 2*
4	Study Area Above Cap Revenues	$10,494,147	*Calculated*
5	Prelim. Study Area Universal Service Support (PSAUSS)	$8,178,891	*Ln 3 * Ln 4; to maintain a cap of $650m; Step 9*
6	Prelim. Minimum Access USF (study area)	$10,494,147	*Calculated*
7	Minimum Adjustment Amount (MAA)	$2,315,255.4	*A share of the $75 million (100% of $75 million third year)*
8	Minimum Support Requirement (MSR)	$10,494,147	*if Ln 7 >0, Ln 7 + Ln 5*
9	Total National MSR	N/A	*Total support for States that qualify for $75 million; States with Ln 7>0*
10	Total PSAUSS of States that do not qualify For MAA	N/A	*Sum of States PSAUSS with zero MAA; States with Ln 7=0*
11	Support For Study Areas with no MAA	N/A	*Ln 1 - Ln 9*
12	Second Adjustment Factor	N/A	*Ln 11 / Ln 10; Step 11*
13	Study Area Access USF Support (SAAUS)	$10,494,147	*Ln 8 if Ln 8>0, otherwise Ln 12 * Ln 5; Step 11*

ATTACHMENT 2

		PRSA		
			Distribution of the $650 Million Among States	
		Description	**Amount**	***Source***
	1	Industry Access USF Cap	$740,000,000	*Capped, Given*
	2	Nationwide Total Above Cap Revenues	$834,000,000	*the sum of all states maximum USF; NECA*
	3	Adjustment Factor	88.73%	*Ln 1 / Ln 2*
	4	Study Area Above Cap Revenues	$53,074,192	*Calculated*
	5	Prelim. Study Area Universal Service Support (PSAUSS)	$47,092,209	*Ln 3 * Ln 4; to maintain a cap of $650m; Step 9*
	6	Prelim. Minimum Access USF (study area)	$53,023,130	*Calculated*
	7	Minimum Adjustment Amount (MAA)	$5,930,921	*A share of the $75 million (100% of $75 million third year)*
	8	Minimum Support Requirement (MSR)	$53,023,130	*if Ln 7 >0, Ln 7 + Ln 5*
	9	Total National MSR	N/A	*Total support for States that qualify for $75 million; States with Ln 7>0*
	10	Total PSAUSS of States that do not qualify For MAA	N/A	*Sum of States PSAUSS with zero MAA; States with Ln 7=0*
	11	Support For Study Areas with no MAA	N/A	*Ln 1 - Ln 9*
	12	Second Adjustment Factor	N/A	*Ln 11 / Ln 10; Step 11*
	13	Study Area Access USF Support (SAAUS)	$53,023,130	*Ln 8 if Ln 8>0, otherwise Ln 12 * Ln 5; Step 11*

	PRCC		
		Distribution of the $650 Million Among States	
	Description	**Amount**	***Source***
1	Industry Access USF Cap	$740,000,000	*Capped, Given*
2	Nationwide Total Above Cap Revenues	$834,000,000	*the sum of all states maximum USF; NECA*
3	Adjustment Factor	88.73%	*Ln 1 / Ln 2*
4	Study Area Above Cap Revenues	$10,494,147	*Calculated*
5	Prelim. Study Area Universal Service Support (PSAUSS)	$9,311,353	*Ln 3 * Ln 4; to maintain a cap of $650m; Step 9*
6	Prelim. Minimum Access USF (study area)	$10,494,147	*Calculated*
7	Minimum Adjustment Amount (MAA)	$1,182,793.5	*A share of the $75 million (100% of $75 million third year)*
8	Minimum Support Requirement (MSR)	$10,494,147	*if Ln 7 >0, Ln 7 + Ln 5*
9	Total National MSR	N/A	*Total support for States that qualify for $75 million; States with Ln 7>0*
10	Total PSAUSS of States that do not qualify For MAA	N/A	*Sum of States PSAUSS with zero MAA; States with Ln 7=0*
11	Support For Study Areas with no MAA	N/A	*Ln 1 - Ln 9*
12	Second Adjustment Factor	N/A	*Ln 11 / Ln 10; Step 11*
13	Study Area Access USF Support (SAAUS)	$10,494,147	*Ln 8 if Ln 8>0, otherwise Ln 12 * Ln 5; Step 11*